"A Study of Selected Private Sector banks Investment Pattern in Bombay Stock Exchange in Stock Market"

A Synopsis submitted for Ph.D in Commerce

Submitted to

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Indian Stock Market-

Before liberalization, Indian economy was tightly controlled and protected by number of measures like licensing system, high tariffs and rates, limited investments in core sectors. Only during 1980's growth of economy was highly unsustainable because of its dependence on borrowings to correct the current account deficit. To reduce the imbalances, the government of India introduced economic policy in 1991 to implement structural reforms. The financial sector at that time was much unstructured and its scope was limited only to bonds, equity, insurance commodity markets, mutual and pension funds. in order to structure the security market, regulatory authority named as Security Exchange Board of India was introduced and first electronic exchange, National Stock Exchange also set up. The purpose behind this was to regularize investments, mobilization of resources and to give credit.

A stock market is a place where buyers and sellers of stocks come together, physically or virtually. Participant in the market can be small individuals or large fund managers who can be situated anywhere. Investors place their orders to the professionals of a stock exchange who executes these buying and selling orders. The stocks are listed and traded on stock exchanges. The Indian stock market mainly functions on two major stock exchange the BSE [Bombay Stock Exchange] and NSE [National Stock Exchange] In terms of market capitalization; BSE and NSE have a place in top five stock exchanges of developing economies of the world. Out of total fourteen stock exchanges of emerging economies,BSE stood at fourth position with market capitalization of $1,101.7b as on June,2012 and NSE at fifth position with market capitalization, of $1079.39b as on June,2012.

Bombay Stock Exchange-

Bombay Stock Exchange is located on Dalal Street, Mumbai. In terms of market capitalization, BSE is the eleventh largest stock exchange in the world on 31 Dec., 2012.BSE is the oldest stock exchange in India. In the beginning during 1855.Some, stockbrokers were gathering under Banyan tree. But later on when the number of stock brokers increased, the group shifted in 1874.In 1875, the group became an official organization named as "The Native Chor and Stock Brokers Association."In 1986, BSE developed its Index named, as SENSEX to measure the performance of exchange.Initially, there was an open outcry floor trading system, which in 1995 switched to electronic trading system. The exchange made the whole transition in just 50 days.BSE Online Trading known as BOLT is a automated screen based trading platform with a capacity of 8 millions orders per day. About 5,000 companies are listed in BSE.It is the first exchange across India and second across world to get an ISO9000:2000 certification.

National Stock Exchange-

The National Stock Exchange is located in Mumbai. It was incorporated in 1992 and became stock exchange in 1993. The basic purpose of this exchange was to bring the transparency in the stock markets. It has completely modern and fully automated screen based trading system having more than two lakh trading terminals, which provides the facility to the investors to trade from anywhere in India. The total 2000 companies are listed in National Stock Exchange. The popular Index of NSE, The CNX NIFTY is extremely used by the investors throughout India as well as internationally. NSE was firstly introduced by leading Indian financial institution. There are number of domestic and global companies that hold stake in the exchange. Some domestic companies include GIC, LIC, SBI and IDFC

ltd.Among foreign investors, few are city group strategic holdings, Mauritius limited, MS Strategic [Mauritius] limited have stake in NSE. NSE also created National Securities Depository Limited [NSDL], which permitted investors to hold and manage their shares and bonds electronically through Demat Account.

Stock Market Volatility-

To invest money in stock market is assumed to be risky because stock market is volatile. There is volatility in stock market because macro economic variables influence it and affect stock prices. These factors can affect a single firm's price and can be specific to a firm. On the contrary, some factors commonly affect all the firms. Volatility is the variation in asset prices change over a particular time period. It is difficult to estimate the volatility accurately. Volatility is responsible to make the stock market risky but it is this only which provides the opportunity to make money to those who can understand it.

Volatility in Indian Stock Market post liberalization -

The high volatility is due to much foreign equity inflows. This results into dependence of Indian equity market on global capital market variations. It means any happening outside India will have its impact here as well as when us economy was improving resulted into falling rupee led negative sentiments to stock market crash domestic savings are lower which is increasing more foreign investments.

Private Sector Banks-

The Private Sector Banks in India are banks where the majority of the shares or equity are not held by the government but by private share holders.

In 1969 all major banks were nationalised by the Indian government. However, since a change in government policy in the 1990s, old and new private sector banks have re-merged. The private sector banks are split into two groups by financial regulators in India, old and new.The old private sector banks existed prior to nationalisation in 1968 and kept their independence because they were either too small or specialist to be included in nationalisation. The new private sector banks are those that have gained their banking license since the change of policy in the 1990s.

The Nedungadi Bank was the first private sector banks in India, founded in 1899 by Rao Bahadur T.M. Appu Nedungadi in Kozhikode, Kerala.

Investment In Private Sector Banks-

What is an Investment?

An investment is an asset or item acquired with the goal of generating income or appreciation. In an economic sense, an investment is the purchase of goods that are not cosumed today but are used in future to create wealth. In finance, an investment is a monetary asset purchased with the idea that the asset will provide income in the future or will later be sold at a higher price for a profit.

Investment Pattern-

A foreign bank or its wholly owned subsidiary regulated by a financial sector regulator in the host country can now invest up to 100% in an Indian private sector bank.This option of 100% FDI will be only available to a regulated wholly owned subsidiary of a foreign bank

and not any investment companies.Other foreign investors can invest up to 74% in an Indian private sector bank, through direct or portfolio investment.

The government has also permitted foreign banks to set up wholly owned subsidiaries in India. The government however, has not taken any decision on raising voting rights beyond the present 10% cap to the extent of shareholding.

The new FDI norms will not apply to PSU banks, where the FDI ceiling is still capped at 20%. Foreign investment in private banks with a joint venture of subsidiary in the insurance sector will be mointored by RBI and the IRDA to ensure that the 26% equity can applicable for the insurance sector is not breached.

all entities making FDI in private sector banks will be mandatorily required to have credit rating.The increase in foreign investment limit in the banking sector to 74% includes portfolio investment ie, foreign institutional investors (FIIs) and non-resident Indians (NRIs), IPOS, private placement, ADRs or GDRs and acquisition of share from the existing shareholders.This will be the cap for any increase through an investment subsidiary route as in the case of HSB-UTI deal.

In real terms, the sectoral cap has come down from 98% to 74% as the earlier limit of 49% did not include the 49% stake that FII investors are allowed through the portfolio route as the sector cap for FII investment in the banking sector was 49%

The decision on foreign investment in the banking sector, the most radical since the one in 1991 to allow new private sector banks, is likely to open the doors to a host of mergers and acquistions. The move is expected to also augment the capital needs of the private banks.

BSE In Banking And Finance Sector-

BSE Finance reflects the performances of companies in the banking and finance sector.It consists of 95 constituents.Some of its top constituents are HDFC Bank, ICICI Bank, AXIS Bank,Kotak Mhindra Bank and Yes Bank.

Statement Of Problem-

After demonetization,banking sector play very crucial role in individual as well as group.Banking sector acts as a nerve center for Indian economy.The role of banking is immense in developing industry,agriculture,there by resulting in countries economic growth.Many investors prefer to invest their hard earned money in shares of banking sector.Considering banking sector shares are more profitable than other sectors. However, there are certain occasion where bank share prices travel towards south. Thus the present study has been carried out to assist investors in ascertaining the period to purchase and sale of shares.

Need and Significance of the study-

The study is about investment of private sector banks in BSE of stock market. This study helps to know which bank performs better compared to other banks based on the price fluctuation by using technical analysis.

Current Status-

The BSE SENSEX (also known as the s&p Bombay Stock Exchange Sensitive Index or simply the SENSEX) is a free-float market-weighted stock market index of 30 well-established and financially sound companies listed on Bombay Stock Exchange.The 30 component companies which are some of the largest and most actively traded stocks, are representative of various industrial sectors of the Indian economy.

The Indian banking system consists of 27 public sector banks, 21 private sector banks, 49 foreign banks, 56 regional rural banks, 1,562 urban cooperative banks and 94,384 rural cooprative banks,in addition to cooprative credit institution.

Indian banks are increasingly focusing on adopting integrated approach to risk management. Banks have already embraced the international banking supervision acord of Basel II, and majority of banks already meet capital requirements of Basel III, which has a deadline of 31 March 2019.

Reserve Bank of India (RBI) has decided to set up Public Credit Registry (PCR) an.tensiv database of credit information which is accessible to all stakeholders.The Insolvency and Bankruptcy code (Amendment) Ordiance, 2017 Bill has been passed and is expected to strengthen the banking sector.

Objectives of the study-

-To study role of private sector banks investment in BSE.

-To analise the share price movement on banks

-To find out upward downward behaviour in share price movement on banking companies.

Research Methodology-

In this study we will focus on the subject of private sector banks investment in BSE in stock market.For that study we using technical analysis it is a method of evaluate the securities by analyzing past market data such as share price movement graph etc. Its a broad topic, so we will just take few banks and analysis their volatility to understand the price movement of the stocks.

Sampling Design-

Simple random sampling is the basic sampling technique where we select a group of subjects[a sample] for study from a larger group [a population]. The study has selected five banks for analysis. The data have collected and analyzed for three year that is April 2016 to March 2018.

Sample Unit-

The following banks are taken as sample unit for research.

1) HDFC Bank

2) ICICI Bank

3)Kotak Bank

Method Of Data Collection -

Primary Data-

The primary data is to be complied through –

Discussion, personal interviews

Well structured questioner for beneficiaries

The questionnaire was framed to obtain the opinion and information about share market of India.

Secondary Data-

The secondary data is to be procured from

- Books
- Reports
- Journals
- Magazines
- Newspapers
- Various official and unofficial websites.

Tools and Techniques-

The collected data have properly been analysed with the help of Microsoft Excel by applying various statistical tools .The researcher has mainly used the following techniques for analysing the collected data.

-Mean

-Standard deviation

-Variance

-Co-efficient of variance

-Correlation

-Beta

Period of Study-

The observation for the data will be during the period 2016-2018 of present study.

Scope of the Study-

1.The study is related to invest in BSE of stock market to predict another investment sources.

2.The analysis has been done on selected stocks sensex.

3.The analysis involves using of limited investment tools out of various tools.

Hypothesis-

1. Private Banks are aware of investment sector.

2. Private Banks are performing progressively in investment sector.

3.Private Banks have good scope in BSE.

Limitations of the Study-

The period of study will be related to April 2016 to March 2018 only.

The study is related only few banks.

Chapter Plan-

Following is the proposed chapter plan of present study some changes can be possible in future.

1. Introduction
2. Review of literature and Research Methodology
3. Profile of Indian banking sector
4. Current status of banking sector
5. Finding and analysis
6. Interpretation, conclusion.

Conclusion-

The present study is about investment pattern of private banks in Bombay Stock Exchange of stock market. There are more number of tools to analysis the stock, but technical analysis is one of the best tools to provide practical exposure to investors.We can conclude from the result that technical indicators can play useful role in the timing stock market entry and exit. By applying technical tools brokers or investors enjoy substancial profit.Shares volatility of banking sectors differ from other sectors because banking share volatility depends upon RBI decision.

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Research Guide — Dr.S.A.Vibhute

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